

INVESTMENT POLICIES

Investment policies for King County are formulated by the Executive Finance Committee (EFC) (see Section 50). This section includes all current policies adopted by the EFC.

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210.1

Investment Parameters for Investment Pool

Scope

This investment policy applies to all financial assets that are in the King County Investment Pool as defined in King County Code 4.10.090. This policy also covers county non-pooled investments and investments made by individual districts unless otherwise requested by those districts. Non-pooled King County investments which do not meet the criteria of this policy require approval by the Executive Finance Committee.

Eligibility

The following additional entities are eligible to participate in the King County Investment Pool:

- 1) Any junior taxing district for which King County serves as Treasurer.
- 2) Other King County public authorities for which King County does not serve as Treasurer, except incorporated cities.

Objectives

Funds of the County will be invested in accordance with the restrictions stated in Washington State law. The County's Investment Pool shall be managed in a manner to attain a market rate of return throughout budgetary and economic cycles while preserving and protecting capital in the overall pool.

Delegation of Authority

The King County Executive Finance Committee (EFC) delegates management responsibility for the investment of public funds to the King County Treasury Manager. The Treasury Manager shall be accountable for all investment transactions undertaken and shall establish, with approval of the EFC, a system of internal controls and written procedures to regulate investment activities and personnel. The Treasury Manager shall recommend policy changes to the EFC as they become necessary.

The Treasury Manager delegates to the Cash Management Supervisor the responsibility of recommending any needed changes to investment policies, strategies, tactics, or internal controls. The Cash Management Supervisor is responsible for daily supervising all investment related activities and maintaining adequate internal controls over the County's active investment program.

The Investment Officer will be responsible for recommending and implementing portfolio strategies and tactics. The Investment Officer shall provide financial analysis that supports proposed portfolio adjustments and insure that investment activities are consistent with economic, market, and liquidity conditions.

Prudence

The Standard of prudence to be applied by the Investment Officer shall be the “prudent investor” rule, which states, *“Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”* The prudent investor rule shall be applied in the context of managing the overall pool.

The Investment Officer, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for changes in a specific security’s credit risk or market price, provided that these deviations are reported immediately and that appropriate action is taken to control adverse developments.

PORTFOLIO ADJUSTMENTS AND INVESTMENT TECHNIQUES

The Investment Officer will routinely monitor the assets of the portfolio, economic conditions, and relative values of differing security types, and will adjust the composition of the pool to maximize the total return of the pool while preserving the pool’s capital base and meeting liquidity requirements.

The primary investment analysis tools and techniques used in determining when and how the pool should be adjusted include (but are not limited to) the following:

1. **Economic Analysis.** This involves the analysis of economic information and research provided by the various security dealers, the Wall Street Journal, the GFOA, etc. Trends in key economic statistics such as unemployment, inflation, money supply, commodity prices, housing sales, automobile production, etc., will be constantly monitored so that the pool can be properly positioned.
2. **Total Return Curve Analysis.** This is a modified version of traditional yield curve analysis. In an attempt to better portray return/risk tradeoffs, the total return curve plots expected total returns (rather than yield) against duration (rather than maturity). This technique acts as a screening device to detect under and overvalued security sectors.
3. **Scenario Analysis.** This entails the use of varying interest rate scenarios (increasing, decreasing, stable, etc.) to see how the total return projections are affected. A one-year holding period will be the normal time frame used in this type of analysis.
4. **Break-even Analysis.** A technique used to determine how much interest rates would have to move in order to make two investment decisions provide the same rate of return.

5. **Active Portfolio Management Techniques.** An active management strategy will be used to manage the Investment Pool. By not routinely following a buy-and-hold strategy, the returns the County earns from its portfolio can be improved. This is because the best security values now may not be the best values in the future. The following techniques may be used to increase the County's total return:
- **Substitution Swap** - replaces a security with an identical (or nearly identical) security trading at a higher yield and, therefore, at a lower price.
 - **Maturity Sector Swap** - involves selling a relatively expensive maturity sector and buying an inexpensive priced maturity sector. Risks are controlled by duration-weighting the swap, so that the overall duration of the portfolio is unchanged. Total returns are improved when the price relationship between the maturity sectors moves back to a normal position.
 - **Coupon Sector Swap** - concentrates security holdings in coupon ranges perceived to offer the best relative value. A coupon spread is the yield spread between a high coupon issue and a low coupon issue of similar maturity. If the coupon spread is wide, the higher coupon issue offers the better total return. A narrow coupon spread warrants a move down in coupon.
 - **Quality Sector Swap** - improves total returns by moving into low quality issues when quality spreads are wide and trading into high quality issues in times of narrow quality spreads.
 - **Issuer Sector Swap** - movements between general issuer categories as relative values change. Total returns are improved by timely trades out of expensive issuer sectors and into relatively inexpensive issuer sectors.
 - **Interest Rate Anticipation Swap** - involves anticipating interest movements and positioning the portfolio accordingly. An expectation of lower interest rates would call for lengthening the average duration of the portfolio, and an expectation of rising interest rate levels would call for shortening of the pool's average duration.
 - **Riding-The-Yield-Curve Swap** - in a positively shaped yield curve environment, securities are purchased that have slightly longer maturities than the liability the funds are earmarked for. These securities are then sold when cash is needed to fund the liability. Total returns are improved by the higher yield of the longer maturity security and by the capital appreciation from rolling down the yield curve to a lower yield and a higher price.

POOL STRUCTURE

Liquidity

King County's Investment Pool will remain sufficiently liquid to enable King County to meet all operating requirements which might be reasonably anticipated.

In order to effectively manage and monitor the County's Investment Pool, the pool will be managed as two separate portfolios: The Liquidity Portfolio and the Core Portfolio.

The Liquidity Portfolio

This portfolio will be managed like a money market fund. The funds in this portfolio will be used to meet the County's short-term liquidity requirements. The Liquidity Portfolio is restricted to holding securities that mature in one year or less, and the average maturity of the portfolio cannot exceed 120 days. The total balance of the Liquidity Portfolio must be greater than or equal to 15 percent of the funds in the total Investment Pool. For example, if the Investment Pool has a balance of \$1.5 billion, the Liquidity Portfolio must have a balance of at least \$225 million.

The Core Portfolio

This portfolio will be operated as two subfunds; an actively managed short-term bond fund and a short-term mortgage-backed securities fund. The two funds will be collectively known as the "Core Portfolio".

The structure of the bond fund will be set so that the fund will be easily comparable to the Merrill Lynch 1-4.99 year Government Bond Index or, if the Merrill Lynch index is unavailable, then a comparable index. The bond fund will be restricted to securities maturing in five years or less. Since the average effective duration of the Government Bond Index is approximately 2-1/4 years, the average effective duration of the bond fund is restricted to 2 1/4 years plus or minus one year.

The structure of the mortgage-backed fund will be set so that the fund will be easily comparable to the Merrill Lynch 0-5 year Mortgage Master Index. The mortgage-backed fund will be restricted to securities with an average life of five years or less at the time of purchase. Since the average effective duration of the Mortgage Master Index is approximately 3 years, the average effective duration of the mortgage-backed fund is restricted to 3 years plus or minus one year.

The maximum size of the Core Portfolio will be restricted to 105 percent of Investment Pool minimum balance during the latest 12 month period, however the minimum balance for the Liquidity Portfolio must be met first. For example, if the current Investment Pool balance is \$1.5 billion and the minimum balance for the Investment Pool for the latest 12 months was \$1.4 billion, the Core Portfolio's maximum balance would be \$1.5 billion less the minimum Liquidity Portfolio balance of \$225 million -- \$1.275 billion, not 105% of \$1.4 billion.

The maximum Core Portfolio balance will be reviewed at least annually, or whenever a Non-CX fund adds more than \$50 million to the Investment Pool balance.

Any adjustment beyond these guidelines in either the Liquidity or Core Portfolios must be approved beforehand by the Executive Finance Committee.

PERFORMANCE MEASUREMENT AND REPORTING

In order to measure the performance of the Liquidity and Core Portfolios, performance benchmarks will be established for all portfolios.

The performance benchmarks for the Liquidity Portfolio will be the average total return for the Donoghue index of money market mutual funds and the total return earned by the Washington State Local Government Investment Pool.

The performance benchmark for the Core Portfolio will be the market yield earned by the Merrill Lynch's 1 to 4.99 year Government Bond Index or, if Merrill Lynch index is unavailable, then a comparable index.

The performance benchmark for the Mortgage-Backed portfolio will be the rate of return of the Merrill Lynch 0-5 year Mortgage Master Index.

Performance reports shall be presented to the Executive Finance Committee on a monthly basis, and annually an in-depth investment performance report shall be presented to the committee. Reports will include the following information:

- Interest earnings
- Performance vs. indices
- Gains/losses
- Composition of pool
- Dealer performance

Safekeeping and Custody

All security transactions, including collateral for repurchase agreements, entered into by King County shall be conducted on a delivery vs. payment (DVP) basis. Securities will be held by a third party custodian designated by King County and evidenced by safekeeping receipts. Certificates of Deposit (CDs) are exempt from the DVP policy.

Internal Controls

The State Auditor's Office will conduct an examination of King County's financial affairs no less than once every three years in accordance with RCW 43.09.260. This review will provide internal control by assuring compliance with Generally Accepted Accounting Principals (GAAP). In the past, this examination has occurred annually.

Investment Policy Adoption

King County's investment policy shall be approved by the Executive Finance Committee (EFC). Any changes or modifications to the policy must be approved by the EFC.

King County establishes deposit limitations for all financial institutions with which deposits are placed, based upon a financial analysis of those institutions. The Finance Division obtains the analysis from two quarterly publications published by the IDC Financial Publishing Company. The **Bank Financial Quarterly** and the **S&L-Savings Bank Financial Quarterly** provide evaluations respectively of banks and thrift institutions.

IDC has grouped the ratings into five categories. The IDC groupings, IDC scores, and County deposit limitations are as follows:

- (1) Superior (200+) - Deposits allowed in excess of \$100,000 and total deposits up to 100% of net worth.
- (2) Excellent (165-199) - Deposits allowed in excess of \$100,000 but total deposits not to exceed 75% of net worth.
- (3) Average (125-164) - Deposits allowed in excess of \$100,000 but total deposits limited to 50% of net worth.
- (4) Below Average (50-124) - Deposits limited to \$100,000 per fund.
- (5) Lowest (1-49) - No deposits allowed.

Upon receipt of the reports, the Finance Division will update the rankings of the banks and thrifts and a new listing of the ratings will be presented annually to the Executive Finance Committee (EFC).

Any institution that is adversely affected by their ranking will be permitted to present additional data to the EFC. The EFC will then decide whether the additional data warrants assignment to a higher category.

Description

A swap is the simultaneous sale, prior to maturity, of one security and the purchase of another security to replace it. Swapping securities can increase income without increasing risk or sacrificing liquidity.

The general direction of interest rates does not change as rapidly and dramatically as does the relationship between individual securities. Thus, demand for a particular security may make that security expensive relative to another. It then may make economic sense to sell a more expensive security in the portfolio and buy a less expensive security. The following explains different trade opportunities and sets forth proposed evaluation criteria and procedures regarding the use of swaps.

Criteria for Swaps

Swaps or trades are made for the following reasons:

1. To increase the investment income of the portfolio;
2. To improve the quality of securities held;
3. To reposition the portfolio to hedge against changes in interest rates.

Types of Swaps

There are several basic types of swaps that occur in the money market. They include:

Swaps between types of securities to increase yield (market sector swaps).

In the bond market, differences in quality and liquidity of securities are reflected in terms of yield. The lesser the quality or liquidity of a security, the higher the yield.

Securities issued by the U.S. Treasury have the least chance of default, are the easiest to sell, and generally return the lowest yield. U.S. Agency securities have the next highest yield, followed by certificates of deposit, commercial paper, and bankers' acceptances.

The Finance Division monitors the spreads between the yields on the various types of securities. If the spread widens beyond normal, it is advantageous to swap into lower quality, less liquid investments.

When the number of days to maturity of a Treasury or agency security is less than 180, it will usually be advantageous to swap into a money market instrument, such as a bankers' acceptance. The reason for this is that the money market instrument

will have a current yield to maturity that is higher than the yield to maturity of the Treasury or agency security. An increase in interest earnings may be possible even if the Treasury or agency issue is sold at a loss.

Swaps between types of securities to increase quality.

Treasury securities generally have the lowest yield of all fixed income securities. The yield differential between treasuries and other securities varies, often decreasing during times of low interest rates and increasing during times of high interest rates.

Often the demand for agency issues can create a situation such that an agency issue yields the same or even lower than an equivalent Treasury issue. By swapping the agency issue for a Treasury security, an increase in quality is obtained. Furthermore, if the market reestablishes the normal spread between interest rates, the Treasury issue can be swapped back into the agency issue for a gain.

Extension swaps to increase yields.

Supply and demand of fixed income securities often cause aberrations in the market. If a short supply exists in a particular maturity range, there may be advantages to swap out of a security in that particular area and move into a security with a longer maturity.

If interest rates are expected to remain constant or decrease, extending the maturities of a certain portion of the portfolio protects against declining interest rates. If the yield curve is steep, a pick-up in yield is also obtained by extending maturities.

Swaps between coupon rates.

Generally a security with a higher coupon will yield more than a security with a lower coupon because taxable investors are often unwilling to pay the larger premiums associated with higher coupons. Since there is less of a demand for these higher coupon securities, they will trade at a higher yield. Conversely, the liquidity of a security is inversely related to the size of its coupon.

Increased earnings may be realized by monitoring the relationship between different coupon rates. If the yield spread increases, it may be advantageous to swap into a higher coupon security. Conversely, if the spread decreases, it may be advantageous to swap into the lower coupon security to increase liquidity.

Special situation swaps.

Occasionally a dealer is looking to buy a particular security that the County owns. In some cases, the dealer may be willing to pay 5 or 10 basis points over the market.

Conversely, a dealer may have a particular security to sell. This is usually true of odd lots or high coupon agency securities that don't trade well.

In either case, the County can improve yield by executing a swap.

Evaluating Swaps

The numerous factors to be considered in a swap transaction must be evaluated within the context of other alternative investments. The Finance Division does not have the resources to maintain records of spreads between coupon rates, maturity sectors, and types of investments. Advice from dealers regarding the advisability of swaps is used.

In evaluating a swap, the following must be considered:

1. What are the characteristics of the security to be purchased compared with those of the security to be sold? These include the duration, the quality, the coupon rate, the price, the accrued interest, the current yield, the yield to maturity and the liquidity.
2. Are there any hidden factors which may account for wide differentials between the two securities? For example, is an extension swap attractive because investors are anticipating a steep rise in interest rates? Is a particular bank paying higher-than-market rates on Bankers' Acceptances, Certificates of Deposit or Repurchase Agreements because it is in financial difficulty? Is the County increasing its risk in the swap?
3. What are the costs of the swap? All trades involve delivery, safekeeping and wire transfer costs. Additionally, there are costs of staff time, accounting, reconciliations, and other internal costs.
4. Will there be a loss in the sale of securities? Over what period will that loss be recovered? Will that loss be significant enough to cause a problem in meeting budgeted revenues in the current year?
5. What will the effects of an increase or decrease in interest rates be on the security to be purchased as compared with the security being sold? Obviously, changes in interest rates will have greater effects on longer-term securities. Such changes influence higher coupon securities and lower quality securities more severely.
6. If there is a significant reduction in the coupon rate of the acquired security, will income flow be adversely affected? How will the cost differential be handled? Are additional funds available if the market price of the security to be sold is less than the amount required to purchase the new security?

7. What alternatives other than the proposed security to be purchased might be considered?

Procedures

The County's portfolio holdings will be available on-line to investment dealers who will utilize their resources to determine swap opportunities.

Each time a swap proposal is presented, the Finance Division will evaluate the swap to determine that it is advantageous to the County or district. If the trade is desirable, the division will contact the involved districts or fund manager for approval. District or fund managers may establish swap parameters and provide written authorization for the Finance Division to execute trades within those parameters.

A composite evaluation of swaps will be prepared by the Cash Management Section. The swap analysis will include a description of the securities involved and their yield to maturity, the proceeds and cost of the transaction, a cash flow analysis, and the rationale for executing the trade. A copy will be maintained in the Cash Management Section.

210.5**Authorized Bankers' Acceptances**

King County can purchase bankers' acceptances authorized by the Executive Finance Committee (EFC). Currently, the County is restricted to certain domestic and local banks and to banks whose assets are ranked in the top 50 of world banks by American Banker. A current list is attached.

210.6**Repurchase Agreement Policies**

The Finance Division makes extensive use of repurchase agreements to meet the investment needs of the County and its political subdivisions. The following policies have been adopted for the use of repurchase agreements:

1. Only dealers reporting to the Federal Reserve Bank and local banks and thrift institutions are eligible.
2. All securities used in the repurchase agreement must be delivered to a tri-party safekeeping account. A current tri-party agreement is required to be signed by all participating parties. Tri-party custodians are required to provide the County with evidence of collateral ownership.
3. Securities must have a market value equal to 102% of repurchase price if term is 1 to 30 days. 105% collateralization is required for terms 31 to 60 days. Tri-party custodians are required to mark collateral to market and rebalance accounts daily.
4. Repurchase agreements have a maximum term of 60 days.
5. Substitution of securities is allowed only in rare circumstances.
6. All participating dealers are required to sign a PSA Master Repurchase Agreement.
7. Collateral for repurchase agreements will be limited to the types of securities allowed in Section 90 of the County's investment manual.

210.7**Diversification Policy**

King County seeks to maximize the rate of return on its various investment portfolios subject to the safety and liquidity of the instruments authorized under State law. Furthermore, it is the County's policy to diversify its investment portfolio to eliminate the risk of loss from overconcentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The Executive Finance Committee shall establish and periodically revise diversification strategies.

The following diversification limitations shall be imposed on the portfolio:

Maturity: The maximum size of the Core Portfolio is currently set at \$1.3 billion. The average maturity of the liquidity Portfolio shall not exceed 120 days. The average duration of the Core Portfolio is limited to 2-1/4 years plus or minus one year.

Default Risk: For each class of security the following limitations are established for the total amount of the portfolio that can be dedicated to each class and to each issuer within that class:

	<u>Security</u>	<u>Total Portfolio</u>	<u>Single Issuer</u>
(1)	U.S. Treasuries	None	None
(2)	U.S. Agencies	50%	None
(3)	Bankers' Acceptances	40%	10%
(4)	Certificates of Deposit	15%	5%
(5)	Repurchase Agreements	40%	10% *
(6)	Commercial Paper	25%	5%
(7)	Municipal Bonds	20%	5%
(8)	Mortgage-Backed	25%	None
(9)	Bank Notes	20%	5%

*Per investment dealer

Portfolio and issuer limits shall be complied with at the time of a security purchase. However, no sale of securities shall be required to meet revised limits due to a decrease in the total size of the portfolio.

Liquidity Risk: At least 5 percent of the portfolio shall be invested in overnight repurchase agreements or in marketable securities (e.g. treasuries) which can be sold to raise cash in one day's notice.

210.7**Dealer Selection Policy**

King County is frequently approached by various security dealers wanting to sell investment securities. However, the number of firms with which the County does business must be limited in order to make timely decisions and best utilize Finance Division staff time in placing investments.

A dealer selection policy is necessary in order to:

1. Ensure that the County receives adequate coverage by periodic review of the performance of the County's existing investment dealers.
2. Provide opportunity for new investment dealers to do business with King County.
3. Establish a procedure for handling firms that contact the Finance Division in a consistent and impartial manner.

Call List

The Finance Division will maintain a primary call list of dealers that have established relations with the County. This list will contain the names of a minimum of six permanent dealers and an additional firm which is added on a trial basis. This temporary slot is filled from the firms on the County's waiting list.

A waiting list is maintained of firms that have approached the County wanting to do business and which meet established criteria. These are kept in order of contact and are moved to the primary call list as explained below.

Requirements for Addition to Waiting List

In order to be included on King County's waiting list, an investment firm must be either:

1. a primary government securities dealer reporting directly to the Federal Reserve Bank and which is active in the mortgage backed repo and foreign BA markets; or
2. a securities dealer with an institutional sales office located in King County.

Firms that are in category 2 may be added to the top of the waiting list ahead of firms in category 1 who may have contacted the County earlier.

Application Process

A securities firm that meets either of the above criteria can contact the King County Finance Division regarding inclusion on the County's waiting list. Contact should be made with: Cash Management Supervisor or Investment Officer at (206) 296-7310, or in writing to 613 King County Administration Building, 500 4th Avenue, Seattle, WA 98104.

Each firm will be required to submit a copy of their latest financial report, the name of the person who will cover the County's account, delivery instructions, and any other pertinent information necessary to conduct business.

After this information has been received, the Finance Division will send the firm a copy of the County's Master Repurchase Agreement and a dealer questionnaire. If the firm fails to properly complete and return these documents within 30 days, the firm will not be added to the waiting list. After the documents have been reviewed and approved by the Finance Division, the County will furnish the firm with an executed trading authorization and delivery instructions.

Summary of Steps in Application Process

1. Contact Cash Management Supervisor or Investment Officer.
2. Provide latest financial report, contact, wiring instructions, and any other necessary information.
3. County sends master repurchase agreement and dealer questionnaire to be signed and returned within 30 days.
4. After receiving and approving the master repurchase agreement and questionnaire, the County will provide the firm with trading authorization, and delivery and wire instructions.
5. Firm will be added to bottom of list, unless firm is local office of a national firm or a local securities dealer, in which case the firm will be placed ahead of non-local firms on the waiting list.

Addition to Primary Call List

Firms will be added to the temporary slot of the primary call list only when a vacancy occurs. Firms will be added on a 60-day trial basis during which they will be allowed to sell the County repurchase agreements, bankers' acceptances, and treasury bills. After the 60-day trial, a determination will be made as to whether the firm will be added to the permanent call list or will be dropped. In order to be added, the firm must have demonstrated during the trial period that it is handling at least 5% of the County's investment transactions.

Review Process

For each firm used on a trial basis, the Cash Management Section will complete an analysis of the investment activity during the trial period. Each firm will also be reviewed with respect to its market analysis, knowledge and understanding of King County's investment program, and the professional conduct demonstrated by their personnel. Within fifteen days of the end of the trial period, written notification of their status will be sent to the investment firm.

At the end of each six month period, the Finance Division will prepare for the Executive Finance Committee a report summarizing dealer activity. The report will show new firms that called the County during this period and indicate whether they were added to the permanent call list. Any other changes to the call list will be shown.

Deletion from Primary Call List

Firms will be dropped from the primary call list when they have been unable to achieve 5% of the County's business during a 6-month period. At that time, the firm in the trial slot will be added to the permanent portion of the waiting list provided they have been able to achieve 5% of the County's investment transactions.

Local MWBE Firms

King County encourages participation in its investment program by local firms, including qualified minority/women business enterprises (MWBE). Local MWBE firms will be given preference, as explained above, when being added to the call list, but must go through the same application process.

Local MWBE firms that have been added to the call list on a trial basis may not be deleted should they fail to meet the 5% of County business requirement. The Executive Finance Committee will review the performance of the firm in order to determine whether they are to be retained on the call list.

KING COUNTY FINANCE DIVISION DEALER QUESTIONNAIRE

1. Name of Firm

2. Address Regional/local National offices

3. Telephone number () Regional/Local
() National Headquarters

4. Primary representative/manager/partner-in-charge

<u>Name</u>	<u>Name</u>
<u>Title</u>	<u>Title</u>
<u>Telephone no. ()</u>	<u>Telephone No. ()</u>

5. Are you a primary dealer in U.S. Government securities?
☐ Yes ☐ No

6. If so, for how long has your firm been a primary dealer? _____ years

7. What was your firm's total volume in U.S. Government and agency securities trading last year?

<u>Firm-wide \$</u>	<u>Number of Transactions</u>
<u>Your local/regional office \$</u>	<u>Number of Transactions</u>

8. Which instruments are offered regularly by your local/regional desk?

<input type="checkbox"/> T-bills	<input type="checkbox"/> Taxabel Municipals
<input type="checkbox"/> Treasury notes/bonds	<input type="checkbox"/> BAs (foreign)
<input type="checkbox"/> Agencies (specify)	<input type="checkbox"/> Term mortgage back repurchase agreement
<input type="checkbox"/> Other Instruments	<input type="checkbox"/> Commercial Paper (specify)
<input type="checkbox"/> _____	<input type="checkbox"/> Mortgage-backed PACs
<input type="checkbox"/> _____	
<input type="checkbox"/> _____	
<input type="checkbox"/> _____	

9. Identify all personnel who will be trading with or quoting securities to the King County Finance Division.

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10. Which of the above personnel have read our government's investment policies?

11. Indicate which of the above agents of your firm's local/regional offices currently are licensed, certified or registered, and by whom.

<u>Agent</u>	<u>Licensed or registered by</u>

12. Identify your public-sector clients in our geographical area who are most comparable to our government.

<u>Entity</u>	<u>Contact Person</u>	<u>Telephone No.</u>	<u>Client since</u>
		()	
		()	
		()	

13. Has your firm ever been subject to a regulatory or state or federal agency investigation for alleged improper, fraudulent, disreputable or unfair activities related to the sale of government securities or money market instruments? Have any of your employees ever been so investigated? Explain.

14. Has a public-sector client ever claimed that your firm was responsible for investment losses? Explain.

15. Include samples of research reports that your firm regularly provides to public-sector clients.

16. Explain your normal custody and delivery process. Who audits these fiduciary systems?

17. Provide certified financial statements and other indicators regarding your firm's capitalization.

18. Describe the capital line and trading limits that support/limit the office that would conduct business

with our government.

19. What training would you provide to our employees and investment officers?
20. Has your firm consistently complied with the Federal Reserve Bank's capital adequacy guidelines? As of this date, does your firm comply with the guidelines? Has your capital position ever fallen short? By what factor (1.5x, 2x, etc.) does your firm presently exceed the capital adequacy guidelines? Include certified documentation of your capital adequacy as measured by the Federal Reserve standards.
21. Do you participate in the SIPC insurance program? If not, explain why not.
22. What portfolio information do you require from your clients?
23. What reports, transactions, confirmations and paper trail will we receive?
24. How many and what percentage of your transactions failed last month? Last year?
25. Describe the precautions taken by your firm to protect the interests of the public when dealing with governmental agencies as investors.

26. Are you a qualified minority/woman business enterprise?

☐ Yes

☐ No

27. Does your firm have an affirmative action program to increase representation by minorities and women? Please describe.

28. List the total number of employees in your firm (or local office, if applicable) in the following categories:

	White		Blacks		Asians		Native Americans		Hispanics		Minority Subtotal	
	M	F	M	F	M	F	M	F	M	F	M	F
Managerial												
Professional												
Technical												
Clerical												
Sales												
Labor												
Other												

M = Males

F = Females

CERTIFICATION

I hereby certify that I have personally read the investment policies and objectives of King County and have implemented reasonable procedures and a system of controls designed to preclude imprudent investment activities arising out of transactions conducted between our firm and King County. All Sales personnel assigned to your account will be routinely informed of your investment objectives, horizon, outlook, strategies and risk constraints whenever we are so advised. We will notify you immediately by telephone and in writing in the event of a material adverse change in our financial condition. We pledge to exercise due diligence in informing you of all foreseeable risks associated with financial transactions conducted with our firm. I attest to the accuracy of our responses to your questionnaire.

Signed:_____Title:_____

Date:_____